

Message Text

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43

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FM SECSTATE WASHDC

TO AMCONSUL GENOA

INFO AMEMBASSY ROME

C O N F I D E N T I A L STATE 237429

E.O. 11652: GDS

TAGS: EINV, BBAK, ELAB, IT

SUBJECT: TORRINGTON

REF: GENOA 571 AND PREVIOUS

1. DEPTOFF REVIEWED LATEST DEVELOPMENTS IN GENOA WITH TORRINGTON WASHINGTON REPRESENTATIVE (TUCKER) SEPT 21.

2. TUCKER SAID THAT THE TORRINGTON POSITION REMAINS AS DESCRIBED REFTTEL, I.E., THAT THE FIRM CONTINUES TO INSIST ON REMOVING ITS NEEDLE-MAKING MACHINERY BUT WOULD SELL THE REST OF ITS PROPERTY TO A GOVERNMENT OR PRIVATE BUYER. IN RESPONSE TO DEPTOFF'S QUESTION, TUCKER INDICATED THAT TORRINGTON DOES NOT RPT NOT PLAN TO PRESS GOI TO ENFORCE COURT ORDER BY EVICTING WORKERS IN NEAR FUTURE, THOUGH EVENTS AFTER SEPT 30 COULD LEAD TORRINGTON TO TAKE THIS COURSE.

3. DEPARTMENT HAS COUNSELLED TORRINGTON TO AVOID ACTIONS
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WHICH APPEAR TO RUDELY REBUFF THE ITALIAN GOVERNMENT

(STATE 1771850). WE HAVE NOT, HOWEVER, ADVISED THE COMPANY THAT IT SHOULD RECONSIDER ITS DECISION TO CLOSE ITS ITALIAN SUBSIDIARY AND REMOVE TORRINGTON-DESIGNED MACHINERY TO OTHER PLANT LOCATIONS.

4. FROM THE OUTSET OF OUR INVOLVEMENT IN THE TORRINGTON PROBLEM IN GENOA, THE FIRM'S MANAGEMENT HAS MAINTAINED A CONSISTENT AND FORTHRIGHT POSITION ABOUT ITS INTENTIONS AND THE REASONS FOR THEM. LARGELY BECAUSE OF A RELATIVE DECLINE IN LABOR PRODUCTIVITY OF ITS ITALIAN WORKERS, THE GENOA PLANT BECAME A BIG MONEY-LOSER WELL BEFORE THE ONSET OF THE RECENT RECESSION IN ITALY. THE MANUFACTURE OF KNITTING MACHINE NEEDLES, TO BE PROFITABLE, MUST RELY ON MAXIMUM EFFICIENCY IN THE USE OF MACHINES AND LABOR. TORRINGTON'S SPECIALIZED MACHINERY IS VIRTUALLY USELESS EXCEPT FOR MAKING NEEDLES. (TUCKER NOTED THAT THIS FACT SEEMS AT LAST TO BE REGISTERING ON THE GOI AND THE UNIONS). LEAVING ITS EQUIPMENT TO A SUCCESSOR COMPANY WOULD SIMPLY BE TO ESTABLISH A DIRECT COMPETITOR. THE MINISTRY OF INDUSTRY'S OWN ASSESSMENT, AS REPORTED IN PARA 3 REFTTEL, TO THE EFFECT THAT THE LOW PRODUCTIVITY OF THE PLANT MAKES IT DIFFICULT FOR THE GOI TO FIND A BUYER OR ARRANGE AN ALTERNATIVE USE FOR THE PLANT IS CONSISTENT WITH TORRINGTON'S JUDGMENT THAT THE PLANT CAN BE RUN ONLY AT A LOSS OR WITH A SUBSTANTIAL GOVERNMENT SUBSIDY. KISSINGER

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